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KAPS

ANNUAL REPORT 1972

KAP'S TRANSPORT LTD.
ANNUAL REPORT
JUNE, 1972

DIRECTORS	
Reinhold Kapchinsky	Edmonton, Alberta
Gerhard Kapchinsky	Ft. St. John, B.C.
Robert A. Dunn	Edmonton, Alberta
Lorne C. Leitch	Edmonton, Alberta
Richard A. N. Bonnycastle	Calgary, Alberta
Douglas G. Moffat	Calgary, Alberta
G. Richard Chater	Toronto, Ontario
James W. McCutcheon	Toronto, Ontario
Andrew Sarlos	Toronto, Ontario

OFFICERS	
President	Reinhold Kapchinsky
Executive Vice-President	Walter Horton
Vice-President	Jimmy D. Bruce
Vice-President	Gerhard Kapchinsky
Vice-President	Rex W. Dales
Vice-President	Douglas G. Moffat
Vice-President	Donald F. Jackson
Secretary	Alan J. Emsley
Treasurer	Alan J. Emsley

KAPS

REGISTERED OFFICES
9520 - 51st Avenue, Edmonton, Alberta

TRANSFER AGENT & REGISTRAR
Royal Trust Company, Edmonton
Vancouver, Winnipeg and Toronto

STOCK EXCHANGE
Toronto Stock Exchange

BANK:
Bank of Montreal

AUDITORS:
Thorne Gunn & Co.
Edmonton, Alberta

ANNUAL MEETING:
November 23, 1972, at 4:00 p.m.
Chateau Lacombe
Edmonton, Alberta

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FINANCIAL HIGHLIGHTS

	1972	1971	1970	1969	1968
Total Revenue	$21,875,000	$16,193,000	$14,047,000	$ 8,034,000	$6,480,000
Net Income (note 1)	$ 1,405,000	$ 784,000	$ 1,227,000	$ 869,000	$ 488,000
Net Return (note 2)	5.4%	4.8%	8.7%	8.5%	7.6%
Net Income per Common Share					
Before extraordinary income	47.9c	34.0c	60.5c	38.8c	28.0c
Extraordinary income	9.2c			11.2c	
Net Income	57.1c	34.0c	60.5c	50.0c	28.0c
Cash Flow	$ 3,575,000	$ 2,689,000	$ 2,715,000	$ 1,486,000	$ 967,000
— per Common Share (note 2)	$1.45	$1.17	$1.34	$ .85	$ .56
Shareholders Equity	$11,769,000	$10,116,000	$ 7,229,000	$ 3,118,000	$2,439,000
— per Common Share	$4.64	$4.15	$3.34	$1.79	$1.40
Total Assets	$28,250,000	$21,860,000	$15,918,000	$10,299,000	$4,678,000
Shares Outstanding (note 3)	2,459,638	2,306,845	2,027,010	1,740,000	1,740,000
Working Capital	$ 1,584,000	$ 1,316,000	$ 1,370,000	$ 1,085,000	$ 53,000

Note 1 — including extraordinary income

Note 2 — excluding extraordinary income

Note 3 — weighted average shares outstanding for the year. Shares outstanding in 1968 and 1969 are adjusted for the 3 for 1 stock split of November 1969 and all per share figures are adjusted accordingly.

OPERATIONAL HIGHLIGHTS

— Purchased
51% of Kordyban Transport Ltd.,
Shirley Helicopters Ltd.,

— Sold
Goodwill and assets of K.C. Services Ltd.,

— Acquired
U.S. Foreign Air Carrier permit for Mackenzie Air Ltd.

— Upgraded
charter licence of Mackenzie Air to F27 Aircraft.

— Commenced upgrade
of Shirley Helicopters Ltd. equipment to turbine units.

— Commenced construction
of 38,000 square feet of shop and offices for Moffat Tank Co. Ltd.

— Constructed
Two Anti-pollution type barges.
Two Self-propelled barges.

REPORT TO SHAREHOLDERS

Revenue increased 35% from \$16,193,000 to \$21,875,000. Net profit after tax, including an extraordinary item of \$226,000 rose from \$784,000 in the previous year to \$1,405,000 or from 34.0c per share to 57.1c per share. Cash flow, including the extraordinary item, was \$3,801,000 or \$1.55 per share compared to the 1971 cash flow of \$2,689,000 or \$1.17 per share.

The net return after taxes on gross revenue, excluding extraordinary income of \$226,000, was 5.4% compared with 4.8% in 1971.

A number of factors contributed to the steady growth of your company.

The new terra-tired vehicle for use on snow and tundra which was introduced in the last report underwent testing in last winter's operations on Banks Island. After certain practical modifications, the equipment has proven successful and is expected to earn substantial revenues from now onwards. The unit will work this year in the Mackenzie Delta for a major oil company. The success of this vehicle confirms the feasibility of manufacturing similar additional units.

This year your company constructed two jet-driven self-propelled barges of a special design which permits work in the shallow waters encountered in parts of the Mackenzie River's Delta and tributaries. Both barges have been highly successful this last summer serving points where conventional marine equipment of equivalent tonnage has no access.

During the year, a 51% interest in Kordyban Transport Ltd. was acquired by a subsidiary within the Kaps Group. This company is Edmonton - based and performs specialized transportation projects in Alberta, British Columbia and other provinces which are outside the scope of the Kaps companies.

Since I reported to you last year, Moffat Tank Co. Ltd. has entered the used and new gas compressor field and has been appointed exclusive Canadian distributor for a leading compressor manufacturer. The company will also rebuild used compressors for resale. Pictures are included in these pages of the new building being constructed for Moffat Tank. In addition to the regular work which will be performed by the company, the shop is designed to handle the fabrication of any barges and tugs which will be required by the group in the future.

The continued planned growth of Mackenzie Air Ltd. has included the disposal of the DC-3 equipment and the acquisition of two Fairchild F-27 pressurized, turbine powered passenger or cargo aircraft. The operation of the Learjet on high altitude survey contracts has proved to be very satisfactory. Expanded Air Charter Licences have been obtained and a United States Foreign Air Carrier Permit was applied for.

Shirley Helicopters Ltd. was acquired during the year. An equipment upgrading program is in progress and it is anticipated that the acquisition of new equipment capable of year-round utilization will result in further growth of the company.

The future of the camp catering business was reviewed during the past year. It was apparent that this business did not fit in with our operations and, therefore, the business was disposed of on advantageous terms. The extraordinary item of income which appears in the financial statements reflects this transaction.

Since the end of the last fiscal year, your company has entered into a joint venture with Societé Entrepose of Paris, France. The resulting company, Kaps - Entrepose Ltd., will carry out larger diameter pipeline construction projects in Western Canada and the North and it is expected that Kaps' Northern experience, and Entrepose's technical experience in construction of pipelines in varying conditions will combine to make this a profitable undertaking for your company.

In general, your company continues to improve and strengthen its field of operations. A strong management team is being consolidated and it is expected that the results will be reflected in future reports.

The prospects for the future of your company look bright and even under normal circumstances, substantial growth can be looked for in the new areas which your company has entered.

Again this year I wish to express my thanks to the staff of the companies. Their continued enthusiasm and support have enabled me again to present to you a satisfactory result of your company's activities.

R. Kapchinsky,

PRESIDENT AND CHIEF EXECUTIVE OFFICER

September 25, 1972

Edmonton, Alberta

Terra-tired vehicle relocating drilling rig on Banks Island.

30-ton tracked vehicle operating in Alberta under adverse conditions.

Shallow draft tug and barge performing a river crossing operation.

Supply depot at Johnson's Point during seasonal barge unloading operation.

One of the newly-designed self-propelled barges brought into operation this season.

Barging gravel in Mackenzie River Delta.

The Beaufort Sea and three barges on return trip from Banks Island.

Shallow draft tugs on the Mackenzie River system.

Mackenzie Air Ltd.
Fairchild F-27 unloading on
King Christian Island.

Flight training operation
at Shirley Helicopters Ltd.

Kaps Pipeline Division
at work in Alberta.

38,000 square feet fabrication plant
under construction in Edmonton
for Moffat Tank Co. Ltd.

KAPS TRANSPORT LTD.
and subsidiary companies

CONSOLIDATED STATEMENT OF INCOME
Year Ended June 30, 1972
(with comparative figures for 1971)

	1972	1971
Revenue	$21,875,000	$16,193,000
Direct operating expenses	15,491,000	11,664,000
Administrative expenses	2,070,000	1,447,000
Interest on long-term debt	426,000	318,000
Depreciation	1,624,000	1,231,000
	19,611,000	14,660,000
	2,264,000	1,533,000
Other income	52,000	52,000
Income before income taxes, minority interest and extraordinary item	2,316,000	1,585,000
Income taxes		
Current	390,000	137,000
Deferred	727,000	664,000
	1,117,000	801,000
Income before minority interest and extraordinary item	1,199,000	784,000
Minority interest in net income of subsidiary company	20,000	—
Income before extraordinary item	1,179,000	784,000
Extraordinary item		
Sale of goodwill by subsidiary company less current income taxes of $24,000 related thereto	226,000	—
NET INCOME FOR THE YEAR	$ 1,405,000	$ 784,000
Earnings per share		
On a weighted average basis		
Income before extraordinary item	47.9c	34.0c
Net income for the year	57.1c	34.0c
On a full diluted basis		
Income before extraordinary item	45.7c	31.9c
Net income for the year	54.5c	31.9c

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
Year Ended June 30, 1972
(with comparative figures for 1971)

	1972	1971
Balance at beginning of year	$ 3,035,000	$ 2,482,000
Net income for the year	1,405,000	784,000
	4,440,000	3,266,000
Deduct		
Prior period adjustments		
Adjustment of 1971 deferred income taxes	31,000	—
Reassessment of 1966 income taxes (note 13)	122,000	—
	153,000	—
Dividends paid	248,000	231,000
	401,000	231,000
BALANCE AT END OF YEAR	$ 4,039,000	$ 3,035,000

KAPS TRANSPORT LTD.

(Incorporated under the laws of Alberta
and subsidiary companies

	1972	1971
ASSETS		
CURRENT ASSETS		
Cash	$ 72,000	$ 335,000
Accounts receivable	5,508,000	3,850,000
Income taxes recoverable	—	172,000
Inventories (note 2)	2,536,000	1,954,000
Prepaid expenses and deposits (note 3)	774,000	541,000
Agreements receivable (note 4)	270,000	170,000
	9,160,000	7,022,000
INVESTMENT IN JOINT VENTURES (note 5)	689,000	970,000
FIXED ASSETS (note 6)		
Land, buildings and equipment, at cost	20,593,000	14,796,000
Less accumulated depreciation	4,533,000	3,030,000
	16,060,000	11,766,000
INTANGIBLES AND DEFERRED CHARGES		
Debenture discount and issue expenses less amortization	—	22,000
Excess of cost over book value at dates of acquiring shares of subsidiaries	2,298,000	2,053,000
Other intangibles, at cost less amortization	43,000	27,000
	2,341,000	2,102,000
	$28,250,000	$21,860,000

Approved by the Board

R. Kapchinsky, Director

L. C. Leitch, Director

CONSOLIDATED BALANCE SHEET — JUNE 30, 1972
(with comparative figures at June 30, 1971)

	1972	1971
LIABILITIES		
CURRENT LIABILITIES		
Bank advances (note 7)	$ 1,824,000	$ 1,869,000
Accounts payable and accrued liabilities	3,433,000	2,621,000
Income and other taxes payable	327,000	—
Deferred revenue	204,000	122,000
Principal due within one year on long-term debt	1,788,000	1,094,000
	7,576,000	5,706,000
LONG-TERM DEBT (note 7)		
9½% Secured debentures, Series B	—	2,000,000
Bank debenture	5,700,000	—
Bank loans	172,000	1,237,000
Finance contracts	712,000	824,000
Agreements payable	633,000	507,000
	7,217,000	4,568,000
Less principal included in current liabilities	1,788,000	1,094,000
	5,429,000	3,474,000
DEFERRED INCOME TAXES	3,390,000	2,564,000
MINORITY INTEREST	86,000	—
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 8)		
Authorized		
4,000,000 Common shares without nominal or par value		
Issued		
2,535,215 Common shares (1971 - 2,440,515)	7,730,000	7,081,000
RETAINED EARNINGS	4,039,000	3,035,000
	11,769,000	10,116,000
	$28,250,000	$21,860,000

ESCROWED SHARES(note 9)
SHARE OPTIONS (note 10)
LONG-TERM LEASES (note 11)
CONTINGENT LIABILITIES (note 12)

KAPS TRANSPORT LTD.
and subsidiary companies

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year Ended June 30, 1972

(with comparative figures for 1971)

	1972	1971
SOURCE OF FUNDS		
Income before extraordinary item	$ 1,179,000	$ 784,000
Items not involving current funds		
Depreciation and amortization	1,649,000	1,241,000
Deferred income taxes	727,000	664,000
Minority interest in net income of subsidiary company	20,000	—
	3,575,000	2,689,000
Increase in long-term debt	1,899,000	224,000
Issue of common shares	649,000	2,334,000
Decrease in investment in joint ventures	281,000	—
Working capital (deficiency) acquired on acquisition of subsidiary companies	(122,000)	70,000
Sale of goodwill by subsidiary company less income taxes related thereto	226,000	—
	6,508,000	5,317,000
APPLICATION OF FUNDS		
Additions to fixed assets (net)	5,532,000	3,688,000
Investment in joint ventures	—	970,000
Acquisition of subsidiary companies	336,000	480,000
Cost of other intangibles	2,000	2,000
Dividends	248,000	231,000
Reassessment of prior year's income taxes	122,000	—
	6,240,000	5,371,000
INCREASE (DECREASE) IN WORKING CAPITAL	268,000	(54,000)
WORKING CAPITAL AT BEGINNING OF YEAR	1,316,000	1,370,000
WORKING CAPITAL AT END OF YEAR	$ 1,584,000	$ 1,316,000

AUDITOR'S REPORT

To the Shareholders of

Kaps Transport Ltd.

We have examined the consolidated balance sheet of Kaps Transport Ltd. and subsidiary companies as at June 30, 1972 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at June 30, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Edmonton, Alberta
September 6, 1972

Thorne Gunn & Co.,
Chartered Accountants

KAPS TRANSPORT LTD.
and subsidiary companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 1972

1. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of Kaps Transport Ltd. and all its wholly-owned subsidiary companies; Wizard Transport Ltd., Bolsters Transport Ltd., Alberta Equipment Centre Ltd., R.B.D. Earthmovers Ltd., R.R. Dales Construction Co. Ltd., Dales Holdings Ltd., Norcan Parts & Equipment (1965) Ltd., Al Renk & Sons Inc., Arctic Shallow Marine Ltd., Moffat Tank Co. Ltd., Mackenzie Air Ltd., Harvey Agencies Ltd., K.C. Services Ltd. and Shirley Helicopters Ltd. Also included are the accounts of Kordyban Transport Ltd., a 51% owned subsidiary of Norcan Parts & Equipment (1965) Ltd.

Shirley Helicopters Ltd. and the interest in Kordyban Transport Ltd. were acquired during the current year.

2. INVENTORIES

	1972	1971
Parts and supplies, at cost which does not exceed market value	$ 884,000	$ 877,000
Automotive and heavy equipment, at lower of cost and net realizable value	1,652,000	1,077,000
	$2,536,000	$1,954,000

3. PREPAID EXPENSES AND DEPOSITS

	1972	1971
Prepaid expenses	$ 559,000	$ 405,000
Deposits on contracts	215,000	136,000
	$ 774,000	$ 541,000

4. AGREEMENTS RECEIVABLE

Included in agreements receivable is a balance of $170,000 arising from the sale in 1969 of all of the shares of Keir Air Transport Ltd. The purchasers are in default under this agreement as a payment due August 15, 1970 was not received. Counsel has been retained to commence collection action. No provision has been made in the company's accounts as it appears at this time that no material loss will be incurred by the company.

5. INVESTMENT IN JOINT VENTURES

Investment in joint ventures represents the amount of outstanding advances, plus the company's share of undistributed earnings of the joint ventures.

6. FIXED ASSETS

	1972			1971
	Cost	Accumulated Depreciation	Net	Net
Land	$ 169,000	$ —	$ 169,000	$ 49,000
Buildings	455,000	65,000	390,000	198,000
Automotive equipment	9,615,000	2,654,000	6,961,000	5,745,000
Portable field equipment	1,745,000	595,000	1,150,000	579,000
Aircraft	1,085,000	88,000	997,000	209,000
Marine equipment	5,296,000	616,000	4,680,000	3,944,000
Leasehold improvements	65,000	30,000	35,000	26,000
Office and shop equipment	316,000	219,000	97,000	93,000
Aggregate equipment	1,260,000	235,000	1,025,000	705,000
Gravel pits	470,000	26,000	444,000	170,000
Roadways	117,000	5,000	112,000	48,000
	$20,593,000	$4,533,000	$16,060,000	$11,766,000

Annual depreciation rates used by the company are:

(a) On a diminishing balance basis:

Buildings	
Concrete block	5%
Frame	10%
Office and shop equipment	20%
Roadways	4%

(b) On a straight line basis:

Automotive equipment and aggregate equipment	
Tracked equipment	10%
Gasoline powered units	20%
Diesel powered units	10%
Service vehicles	30%
Portable field equipment	20%
Aircraft	12½ %
Marine equipment	6⅔ %
Leasehold improvements — equal annual amounts over the life of the lease	

(c) On a production basis

Gravel pits — annual production over estimated reserves

7. LONG-TERM DEBT

Bank Debenture

The companies are jointly and severally indebted to their banker under a debenture payable in the amount of $5,700,000. The debenture is secured by a first fixed specific mortgage on certain equipment and a first floating charge on all assets. Principal is repayable $300,000 a quarter with interest payable monthly at various rates related to the bank's prime lending rate.

Bank loans	1972	1971
11% Loan, payable $57,500 annually plus interest	$172,000	$ 230,000
Other bank loans (repaid during 1972)	—	1,007,000
	$172,000	$1,237,000

The above bank loans and bank advances included in current liabilities are secured by a general assignment of book debts and chattel mortgages on certain fixed assets.

Finance contracts

These contracts are secured by equipment pledged under the contracts and are repayable as follows:

	1972	1971
Year ended June 30, 1972	$ —	$458,000
Year ended June 30, 1973	414,000	264,000
Year ended June 30, 1974	233,000	102,000
Year ended June 30, 1975	65,000	—
	$712,000	$824,000

Agreements payable	1972	1971
4% Agreement payable on purchase of the shares of Al Renk & Sons Inc., payable $50,000 U.S. on May 6, 1973	$ 54,000	$135,000
3% Agreement payable on purchase of shares of Dales Holdings Ltd., payable $25,000 annually on July 20 with a final payment of $275,000 on July 20, 1974	315,000	340,000
6% Mortgage, payable $37,500 per annum plus interest	241,000	—
9½% Mortgage, payable $250 monthly plus interest	23,000	—
Other agreements (repaid during 1972)	—	32,000
	$633,000	$507,000

8. CAPITAL STOCK

Shares were issued during the year as follows:

	1972		1971	
	Shares	Amount	Shares	Amount
For cash	79,700	$469,000	268,000	$2,262,000
For common shares of subsidiary companies				
Shirley Helicopters Ltd. (note 1)	15,000	180,000	—	—
Moffat Tank Co. Ltd.	—	—	8,000	72,000
	94,700	$649,000	276,000	$2,334,000

9. ESCROWED SHARES

Of the total common shares outstanding 900,000 are subject to an escrow agreement dated October 4, 1967 between the principal shareholders; Reinhold, Gerhard and Helmut Kapchinsky, Richardson Securities of Canada, and the Royal Trust Company as Trustee, which provides that such shares may be released from escrow or transferred on the books of the company in five equal annual instalments commencing October 1, 1968.

At June 30, 1972 180,000 shares were held in escrow under the terms of this agreement.

10. SHARE OPTIONS

During the year the company had two share option plans under which options to purchase 115,000 shares were available to senior officers and employees of the company. Options are granted for a five year period but are exercisable as to not more than 20% on a cumulative basis in each year by the optionee and are exercisable only upon completion of the previous year's employment with the company. Options granted under these plans are as follows:

	Options to Purchase Shares	
	at $5.83 per share	at $6.30 per share
Options granted at beginning of year	30,000	65,000
New options granted during the year	—	7,500
	30,000	72,500
Less		
Options exercised during the year	18,000	7,000
Options cancelled	12,000	10,000
	30,000	17,000
Options outstanding at end of year	nil	55,500

In addition there are warrants outstanding to purchase 62,300 shares of the company; 40,000 to purchase shares at $12 per share exercisable at any time until March 1, 1975 and 22,300 to purchase shares at $5.83 per share exercisable until December 31, 1974. During the current year 54,700 warrants were exercised at $5.83 per share.

11. LONG-TERM LEASES

The company rents from two of its directors, two buildings under long-term "net net" leases which expire August 31, 1977 the annual rentals for which total $28,500. There are options to extend these leases for a further five years at the same annual rentals.

The company also leases from two of its directors, its new office premises under a long-term "net net" lease at an annual rental of $36,000. The lease expires October 31, 1980 and has two five-year renewal options at annual rentals to be negotiated.

A subsidiary company leases an aircraft under a rental purchase contract with an annual rental of $142,000. The contract is for a period of nine years with annual options to purchase at various amounts during the term of the contract. Two other aircraft are leased under agreements expiring March 21 and April 27, 1974 the annual rentals for which total $29,600. These aircraft may be purchased for a total of $42,000 at the expiry of the leases.

12. CONTINGENT LIABILITIES

The companies are, or may ultimately become, involved in litigation related to the death and bodily injury of two employees. While the amounts involved at the present time are uncertain it appears at this time that any liability is unlikely to exceed the companies' insurance coverage.

13. PRIOR PERIOD ADJUSTMENT

Subsequent to the balance sheet date the company was reassessed additional income taxes and interest relating to past service contributions to its executive pension plan which were disallowed for the year 1966. The company has made full provision for these income taxes although the company intends to object to the reassessment.

14. REMUNERATION OF DIRECTORS AND OFFICERS

Aggregate direct remuneration paid or payable by the company to its directors and officers amounted to $150,000 for the year ended June 30, 1972 (1971 - $111,000).


SEA EXPLORER

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KAPS TRANSPORT LTD.

and its subsidiary companies

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Six months ended December 31, 1972
(with comparative figures for 1971)
(unaudited)

	1972	1971
Funds Provided:		
From operations		
Net income	$ 953,000	$ 656,000
Non-cash items		
Add—depreciation	1,013,000	700,000
—deferred income taxes	510,000	642,000
—amortization of intangibles	6,000	—
—minority interest in income	25,000	—
	2,507,000	1,998,000
Issue of common shares	101,000	24,000
Increase in long-term debt	269,000	1,286,000
Reduction in investments in joint ventures	—	371,000
Prior period adjustment	182,000	—
	3,059,000	3,679,000
Funds Applied:		
Additions to fixed assets (net)	1,978,000	1,760,000
Additions to intangible assets (net)	49,000	9,000
Increase in investments in joint ventures	37,000	—
Dividends on common shares	192,000	123,000
	2,256,000	1,892,000
Increase in working capital	803,000	1,787,000
Working capital, June 30	1,584,000	1,316,000
Working capital, December 31	$ 2,387,000	$ 3,103,000

KAPS

SECOND QUARTER REPORT
DECEMBER 31, 1972

TO THE SHAREHOLDERS:

For the six months ended December 31, 1972, revenue increased to $14,427,000 from $10,694,000 during the corresponding period in 1971. Net earnings after taxes rose to $953,000 from $656,000 or 37.4c per share compared with 25.7c per share in 1971.

Far northern operations were affected by the unseasonably mild weather experienced during the second quarter. It is anticipated that some work normally performed during this period will be carried out during the first quarter in 1973.

In November, Kaps Manufacturing Ltd. (formerly Moffat Tank Co. Ltd.) completed the move into new premises consisting of a 38,000 square feet shop and warehouse. The costs associated with this move and with the transition into a substantially expanding manufacturing business are reflected in the results of this period.

At the present time, the Company is constructing a new ocean-going tug and four barges which will go into service in the Marine Division during the 1973 shipping season.

February 14, 1973
Edmonton, Alberta

On behalf of the Board of Directors

R. Kapchinsky Chairman of the Board	Alan Farmer President

KAPS TRANSPORT LTD.

and its subsidiary companies

CONSOLIDATED STATEMENT OF INCOME

Six months ended December 31, 1972
(with comparative figures for 1971)
(unaudited)

	1972	1971
Revenue	$14,427,000	$10,694,000
Expenses		
Direct operating	10,350,000	7,623,000
General and administrative	971,000	921,000
Provision for depreciation	1,013,000	700,000
Interest on long-term debt	249,000	156,000
	12,583,000	9,400,000
Operating profit	1,844,000	1,294,000
Other income	27,000	56,000
Income before income taxes	1,871,000	1,350,000
Provision for income taxes	893,000	694,000
Income before minority interest	978,000	656,000
Minority interest in income	25,000	—
Net income for the period	$ 953,000	$ 656,000
Earnings per share based on 2,548,691 shares outstanding	37.4c	25.7c